

# Developing of competitive strategy for innovative development of enterprise: choosing priorities and tactics

## Mecanismo de desarrollo de la estrategia competitiva de desarrollo innovador de la empresa

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### Abstract

This paper is devoted to the topicality of the development and implementation of a competitive strategy of innovation development of Ukrainian enterprises under conditions of globalization. In this work it has been made analysis of indicators and choosing priorities and tactics of innovative development of the enterprise. The authors have proposed a sequence of development of competitive strategy of the enterprise. Also they have identified the priority targets of the general competitive strategy. It has been calculated outlines of tactics of the enterprise competition. The authors have made conclusions and provided references.

**Keywords:** competitive strategy, combination strategy, enterprise, innovative development, tactical competition

### Resumen

Este documento está dedicado a la importancia del desarrollo y la implementación de una estrategia competitiva para el desarrollo innovador de las empresas ucranianas en el entorno global. El análisis de los indicadores y la elección de las estrategias y tácticas del desarrollo innovador de la empresa se realizan en el trabajo. Los autores proponen una secuencia de desarrollo de una estrategia empresarial competitiva. Se identifican los objetivos prioritarios de la estrategia competitiva general. Se han calculado lienzos de tácticas de competencia de la empresa. Los autores hacen conclusiones y recomendaciones.

**Palabras clave:** estrategia competitiva, estrategia combinada, empresa, desarrollo innovador, competencia táctica

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## 1. Introduction

The formation of the competitive mechanism of economic entities submits target instruction - to determine structure, level of strategically beneficial competitive positions of the enterprise and the type of competitive status. On that score, Yurii Rubin believes that the competitive positioning of the business entity not always has a strategic character (Rubin, 2003). It is difficult to disagree that it becomes strategic under the conditions "... when estimated competitive position is the basis for identifying strategic competitive advantages... in strategic areas of business" (Rubin, 2003).

Many works of native and foreign scientists are devoted to the problems of development and definition of strategies of Ukrainian industrial enterprises (Kudenko, 1998; McDonald M., and others). Issues of risk accounting in management decisions are also covered in the numerous works of scientists ((Buzko, 1996; Vitlinsky 1996; Reisberg, 1992; Rice and Coyle, 1995; Yastremsky, and others). But taking into account the features and size of risks when choosing innovation strategies by industrial enterprises remains insufficiently studied. Therefore, this topic is relevant and requires further research.

Crisis phenomena in the country's economy have exacerbated the existing problems of industrial enterprises, creating favorable conditions for increasing the negative impact of destructive economic factors. Among them, the most significant are the dependence of domestic producers on imported raw materials and products, insufficient level of development of national brands, the level of technological weapons and innovative development of production, etc. (Andrusenko & Sharko, 2016).

From our own research, we think that the competitiveness of the enterprises is determined by interconnected and mutually conditioned factors: competition, competitive advantages and competitive strategy. Accordingly, the formation of a competitive strategy should be provided considering strategic competitive position, which is related with the level of competitive advantages of the enterprise and its competitive power. Following this conclusion and calculations that was made before, the distribution of forces between the competitors of industrial enterprises of Vinnytsia and Khmelnytskyi regions (legend of enterprises - « A, B, C, D») is presented in Picture 1.

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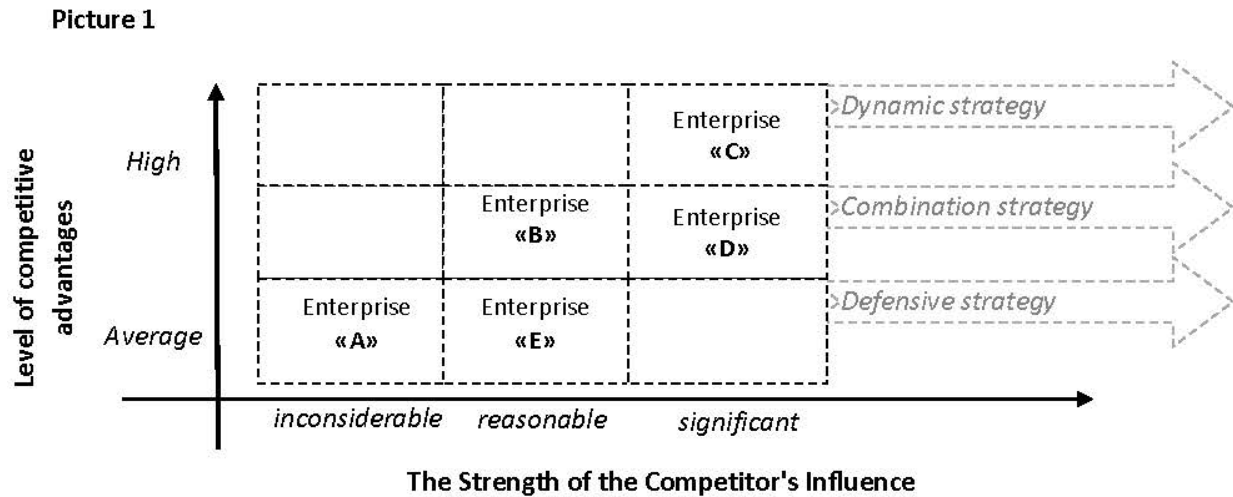
## 2. Strategies

According to the proposed model, only enterprises, which has with a high potential level can implement dynamic strategy; enterprises with low competitive potential should implement defensive strategy; for middle-ranking enterprises it is better to use combined competitive strategy.

According to the results of the table, it is possible to draw a conclusion that strategic behavior of competitors is mostly correlated with the recommended competitive strategies, except for the enterprise "D". This enterprise still holds the largest market share, but enterprise "C" is inferior in efficiency of management of competitive potential and the formed values; due to which it began to lose its position. Therefore for such enterprise it is necessary to leave a comfort zone, and to refuse from compromise behavior and to apply benefits of both dynamic and defensive strategy.

At the same time, the idea that a quality defensive strategy guarantees strategic success in competition is wrong, because none of them is realized in its pure form, but is formalized in the form of various competition tactics and their combination.

**Picture 1**  
Compliance of the recommended competitive strategies with the strategic positions of enterprises of Vinnytsia and Khmelnytskyi regions.



We propose to conclude the basis for the development of a competitive strategy:

- 1) Dynamic model of behavior to achieve sustainable competitiveness within the mission aimed at meeting the needs of consumers and ensuring economic, large-scale and image effects. The tool that will start the formation of dynamic competitive advantages (continuous innovative competitive strategy) should be strategic actions that the company can take to improve its knowledge base. It includes: motivational mechanisms of competition; knowledge management systems and producing generations of ideas and innovations; marketing tools, leadership scenarios; ensuring the interests of stakeholders; partnership strategies;
- 2) Methodology of systemic planning paradigm, which in the context of competitive strategic planning in retail as a system, the level of uncertainty and unpredictability of which is directly proportional to the development of competition, should be considered as a process of learning and purposeful development interrelated with the human factor.

For the process of developing a competitive strategy of an industrial enterprise, it is best to approach the method of hierarchy analysis (Saaty, 2005) taking into account HEART management technology (Furnham, A. 2008), which focuses the development of the enterprise on managing relationships, beliefs, behavior and emotions at the enterprise and conveying the value of a unique trade offer to the consumer.

The Analytic Hierarchy Process is a descriptive psychophysical process that allows person who makes decisions to structure in a clear and rational way the complex problem of decision-making in the form of hierarchies, compare and quantify the alternatives that best fit the strategic goals and requirements for achieving them. The construction of a dominant hierarchy involves compliance with the principle of hierarchical continuity, according to which the elements of the lower level of the hierarchy are compared in pairs in terms of higher level hierarchies.

The effectiveness of the strategic planning process is ensured by two areas: direct planning process, which is based on the analysis of the current strategic position of the enterprise, the market situation and allows to determine the probable state of the enterprise; reverse process, which begins with the desired state of the enterprise and lies in determining the factors that may affect it (Saaty, 2005).

Thus, the analysis of the situational choice of an alternative scenario by this method involves procedures of intuitive argumentation with: selection of the logically probabilistic state of the problem; structuring goals of the

tactical competitive position in the form of the desired state of the system; identification of alternative tactical tasks that form tactical competitive advantages and selection of dimensionless priorities of alternatives (matrix method of pairwise comparisons); hierarchical synthesis and their implementation to the direct process with subsequent iteration of the convergence of the probabilistic and desired state of the system.

The process of developing general competitive strategy should be carried out by taking into account previously developed: conceptual scheme of formation of competitive strategy; organizational and economic mechanism for the development and implementation of competitive strategies of the retail enterprise.

And now we are going to consider the method of developing a competitive strategy of combination on the example of the situation of the enterprise "D" (Picture 2).

The general goals of industrial enterprises that implement a competitive strategy of combination can relate to both defensive and offensive tactical actions. However, a necessary condition is the simultaneous solution of two goals, which are inherent in the dynamic (optimistic result) and defense (pessimistic result) strategy.

The combination of tactical competitive positioning objectives within the overall competitive strategy of combination depends on the market situation. If the market is stable, it is better to move in one area (e.g. to increase and to maintain turnover or market share), if the market is mobile, the combination of goals should cover several areas (e.g., to increase market share and to maintain sales).

1.1. The process of substantiation of the optimal competitive strategy begins with the formation of the strategic goal of competition - strengthening the competitive position of the enterprise.

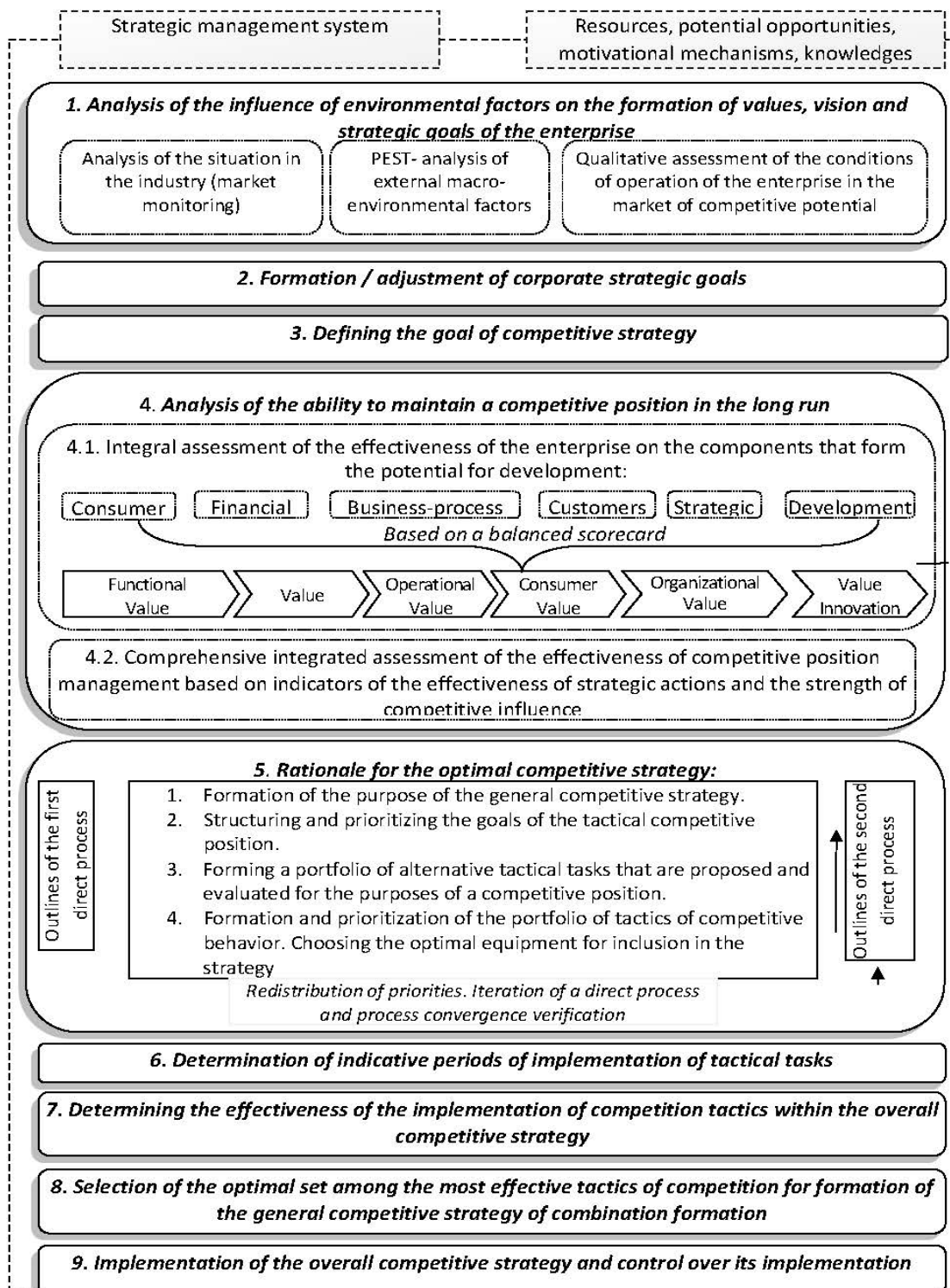
1.2. Identification of strategic directions of action to achieve the highest goal of competitive strategy. Structuring and prioritizing the goals of a tactical competitive position in the form of the desired state of the system.

Tactical competitive position is a position that is formed on the principle of advance and allows you to capture, at a particular time, competitive advantage and to develop strategic advantages on its basis.

Enterprise "D" occupies a leading position in terms of market share (in terms of sales), but recently began to lose a stable state of the market situation. Under these conditions, the enterprise must take a number of strategic actions to activate the market. Analyzing the strategic position with the first competitor of the enterprise "C", it was found that the enterprise "D" is inferior to him in establishing business processes, formation, maintenance and development of customer potential. In the dynamics, the analysis did not reveal clear trends. In particular, the level of communication policy is an order of magnitude higher, the network of stores is actively expanding, and people are more active in the B2G segment. Enterprise "D" outperforms competitors in terms of product quality and pricing policy. If in 2018 the market share occupied by the enterprise "C" was 9%, in 2019 due to the opening of three new modern stores in convenient locations, it managed to increase it almost three times. In addition, the enterprise actively uses in stores training marketing tools that attract customer loyalty. Such massive events indicate the competitor's intention to increase its market share and maintain it for a long time.

**Picture 2**

Sequence of developing of the competitive strategy of combination \*



\* - developed by the authors

Given that the competitive forces of rivals are close, management is recommended to act on a combined competitive strategy. It is necessary to determine the priorities of the goals of the tactical competitive strategy of combination (table 1).

To establish the relative importance of each of the alternatives, it is recommended to use the Saaty Ratio Scale, which is categorized from 1 to 9 or vice versa (1 - equivalent importance, 3 - moderate, 5 - tangible advantage, 7 - strong advantage, 9 - very strong advantage). The calculations are performed in a software environment for the analysis of hierarchies "Expert Choice". The most realistic for the enterprise "D", according to management, in terms of offensive action is to focus on increasing market share (priority 0.57) and return it to the level of 2018, and between defense actions to maintain market share (priority 0, 28).

1.3. Formation of a portfolio of alternative tactical competitive tasks, their prioritization and compatibility with the goals of the competitive position.

Tactical competitive tasks are a set of tactical actions and related capabilities of an entity to create unique competitive advantages in order to stand out positively among competitors.

The growth of market share can be achieved by using the following tactical competitive advantages:

- development of own network of trade objects - by means of competitive behavior "growth";
- expanding the range of goods - by means of competitive behavior "development";
- sales and maintenance of office software - a means of competitive behavior "diversification".

**Table 1**  
 Priorities of the goals of the general competitive strategy of combination enterprise "D" \*

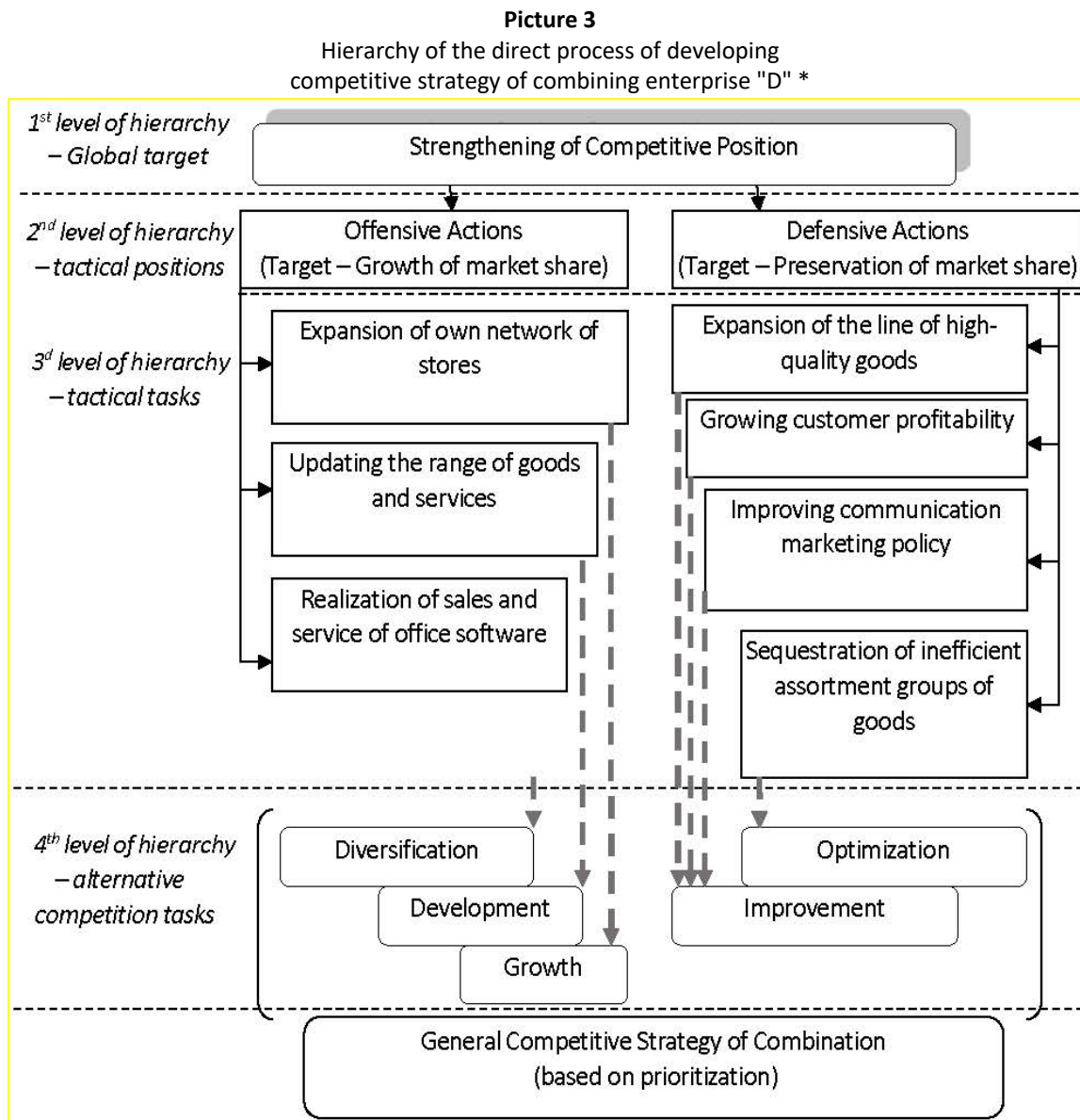
Priorities for the Purposes of Tactical Competitive Position				
General Goals	Defensive Actions	Offensive Actions	Estimation of Eigenvector Components	Normalized Priority Vector Estimation
Defensive Actions	1	1/2	0.71	0.32
Offensive Actions	2	1	1.41	0.68
$\lambda$			2.12	
Priorities for Offensive Actions				
Goals of Offensive Positioning	Growth of Commodity Circulation	Growth of Market Share	Estimation of Eigenvector Components	Normalized Priority Vector Estimation
Growth of Commodity Circulation	1	1/6	0.41	0.14
Growth of Market Share	6	1	2.45	0.86
$\lambda$			2.86	
Priorities in Defensive Actions				
Goals of Defensive Positioning	Preservation of Commodity Circulation	Preservation of Market Share	Estimation of Eigenvector Components	Normalized Priority Vector Estimation
Preservation of Commodity Circulation	1	1/5	0.45	0.167
Preservation of Market Share	5	1	2.24	0.833
$\lambda$			2.68	
Generic priorities for enterprise goals				
Direction of actions	Offensive actions (0.68)	Defensive Action (0.32)	Generalized Priority Value	
Targets				
Growth of Commodity Circulation	0,143			0.10
Growth of Market Share	0.857			0.567
Preservation of Commodity Circulation		0.167		0.053
Preservation of Market Share		0.833		0.267

\* - calculated by the authors

To maintain market share, it is proposed to implement the following tactical competitive advantages:

- sale of high quality goods, expansion of the line of brands;
- introduction of new methods, sales technologies;
- improvement of communication marketing policy - by means of business strategy "improvement";
- sequestration of inefficient assortment groups of goods and areas of activity by means of business strategy "optimization".

We structure the general competitive strategy of combination for the enterprise on the corresponding tactical competitive tasks in the context of tactical competitive positioning (Picture 3).



\* - developed by the authors

We are going to analyze which of these tactical competitive tasks best corresponds to the fixed competitive position in the following sequence:

- find the most appropriate competitive task to achieve the goal of increasing market share;
- find the most appropriate policy to achieve the goal of maintaining market share;
- determine the generalized priority of the policy to achieve strategic goals.

**Table 2**  
Generalized Priority of Tactical Competitive Tasks in Terms of Achieving the Goals of Tactical Competitive Positioning Enterprise "D"\*

Tactical competitive tasks \ Strategic goal	Preservation of market share (0.32)	Growth of market share (0.68)	Generalized priority value
Expansion of own network of stores	0.655		0.45
Updating the range of goods and services	0.250		0.17
Realization of sales and service of office software	0,095		0.06
Improving communication marketing policy		0.337	0.11
Growing customer profitability		0.314	0.10
Expansion of the line of high-quality goods		0,168	0.05
Sequestration of inefficient assortment groups of goods		0,181	0.06

\* - calculated by the authors

1.4. Next, it is necessary to determine which competition tactics are most correlated with tactical competitive tasks that produce competitive tactical advantages.

Competition tactics are a set of models of competitive behavior and the tactical competitive advantages produced by them, which are used by the entity to oppose the operation in a competitive environment.

Competition tactics are short-term, the duration of which is determined by the duration of the operation aimed at achieving the goals of tactical competitive positioning.

An example of determining the priority between competition tactics is given in Table 3.

**Table 3**  
Correspondence of alternative tactics of behavior to the formation of competitive advantage of enterprises\*

Expanding own multistore	Development	Growth	Diversification	Components estimation of proper vector	Normalized estimation of priority vector
Development	1	1/8	1/5	0.29	0.06
Growth	8	1	4	3.17	0.70
Diversification	5	1/4	1	1.08	0.24
$\lambda$				4.54	

\* - calculated by the authors

Based on the gradual determination of which competition tactics (development, growth, diversification, improvement, optimization) best corresponds to a particular competitive advantage (updating the range of goods and services, sales and maintenance of office software, improving communication marketing policy, growth of customer profitability, expansion of the line of high-quality goods, sequestration of inefficient assortment groups of goods) we will generalize the priorities between the tactics of competition of the enterprise (table 4).



**Table 4**  
Generalization of priorities of competition tactics enterprise "D"\*

Business strategies	Expansion of own network of stores (0,45)	Updating the range of goods and services (0,17)	Realization of sales and service of office software (0,06)	Improving communication marketing policy (0,11)	Growing customer profitability (0,1)	Expansion of the line of high-quality goods (0,05)	Sequestration of inefficient assortment groups of goods (0,06)	Generalized priority
Development	0.06	0.68	0.5					0.17
Growth	0.7	0.09	0.4					0.35
Diversification	0.24	0.3	0.15					0.17
Improvement				0.8	0.8	0.75	0.15	0.21
Optimization				0.2	0.2	0.25	0.85	0.1

\* - calculated by the authors

Estimates of the priorities show that combination of “growth” (36.6%) and “improvement” (21.8%) competition tactics is the most appropriate for the implementation of the overall competitive combination strategy.

To determine the content of the competitive strategy of combination, it is necessary to find out and calibrate the priorities of variables (indicators), which relevantly reflect the content of competition tactics and further determine the outline of the overall strategy (Table 5). In our opinion, the content of competition tactics can be sufficiently determined by such variables as net sales revenue, profit, number of retail outlets, flexibility of the product range, staff readiness for change.

**Table 5**  
Priority between the variable states of the outline of competition tactics enterprise "D"\*

The variables of the state of competition tactics	Net sales revenue	Income	Number of retail outlets	Flexibility of range of goods	Staff readiness for change	Estimation of Eigenvector Components	Normalized Priority Vector Estimation
Net sales revenue	1	1	3	3	5	2.14	0.35
Income	1	1	3	3	5	2.14	0.35
Number of retail outlets	1/3	1/3	1	1	2	0.74	0.12
Flexibility of range of goods	1/3	1/3	1	1	1	0.64	0.11
Staff readiness for change	1/5	1/5	1/2	1	1	0.46	0.07
$\lambda$						6.12	

\* - calculated by the authors

### 3. Results

Accordingly, the combination strategy will be characterized by a significant increase in net income, profits and expansion of the network of retail outlets, while the range of goods should be more actively updated. Given that Company D has managed to form a team of like-minded people, the future strategy will provide only some adjustments in staff readiness for change.

These tables are informative and will be used in constructing a generalized scale of the first direct process of forming a competitive strategy. To determine the outline of the competitive strategy of combining the enterprise it is necessary to calibrate the variable states on the Saati scale from -8 to 8 (Penrose, 1959).

Calibration of variables of business strategies (development, growth, diversification, improvement and optimization) of the enterprise is given in Table 6.

**Table 6**  
Calculation of the Outline of Competition Tactics Enterprise "D"

Variable states	Development	Growth	Diversification	Improvements	Optimization	Direct process (generalized changes)
Net sales revenue	3	6	3	4	-1	3.99
Income	3	5	3	4	0	3.63
Number of retail outlets	0	4	1	0	-2	1.59
Flexibility of range of goods	2	0	4	1	0	1.23
Staff readiness for change	1	4	2	0	-2	1.93
Generalized scale **						3.13

\*\* Generalized scale =  $3.99 * 0.35 + 3.63 * 0.35 + 1.59 * 0.12 + 1.23 * 0.11 + 1.93 * 0.07 = 3.13$

\* - calculated by the authors on the basis of table 3.4, 3.5

Iteration of the competitive strategy of combination took place by means of the indicator of the generalized scale which is defined by the sum of products of the generalized variable states on their priority (calculated in Table 3).

To most fully reflect the goals, it is necessary to structure the reverse process, which should reflect the possible problems in the implementation of these competition tactics and appropriate tactical tasks for their implementation. Thus, while using the tactics of competition "development" there may be a problem with the mismatch of equipment to new product groups and unprepared staff in terms of pre-sales training and sales technologies.

Tactic of competition "growth" is accompanied by the problem of delaying the introduction of new retail facilities and their possible low efficiency.

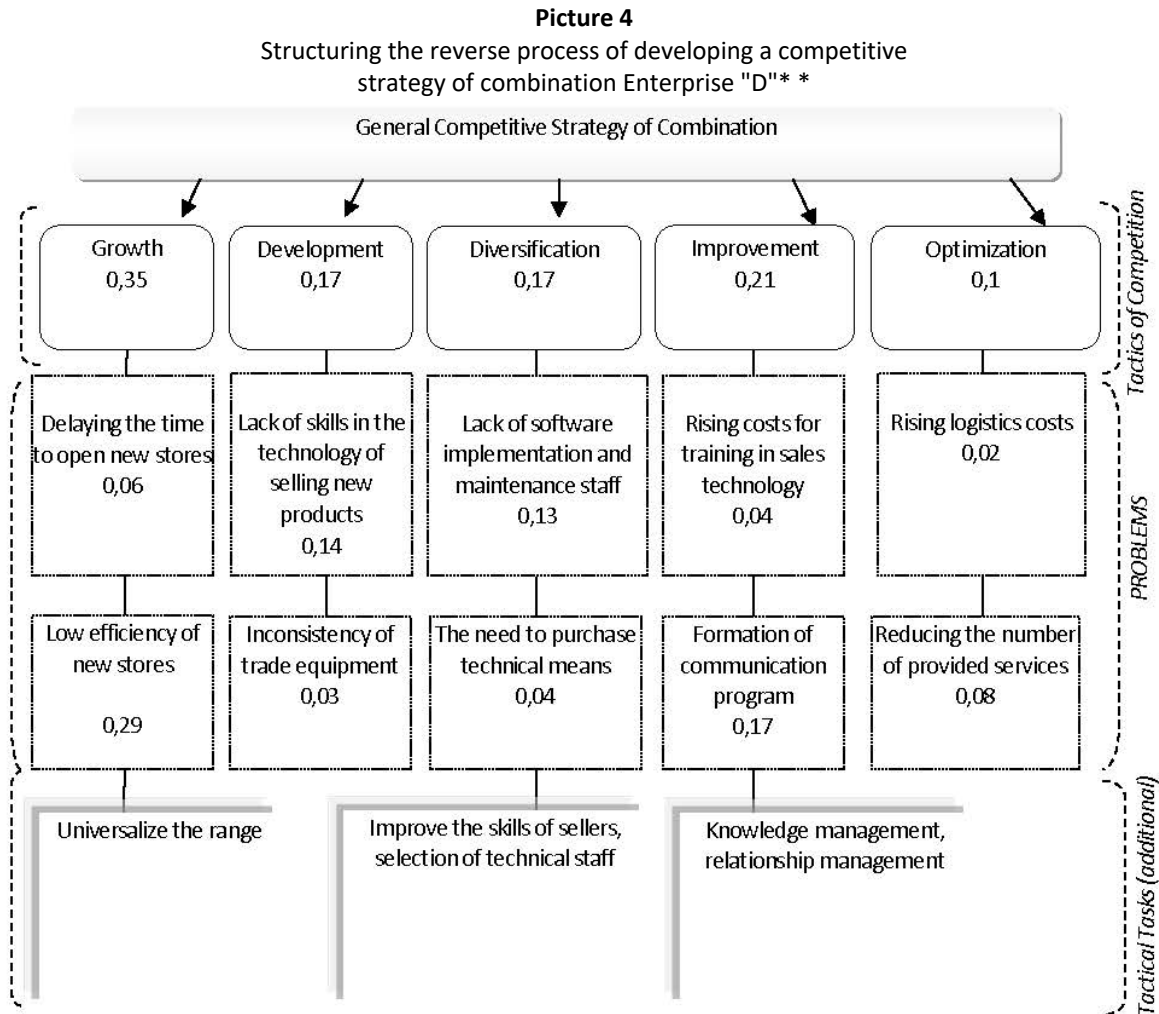
While using the "diversification" competition tactics, there may be a problem with the availability of qualified staff for the implementation and maintenance of software for offices, the need to purchase technical means, which will complicate the implementation of competition tactics.

The application of tactic "improvement" may be accompanied by the problem of increasing the cost of training staff in innovative sales technologies, the formation of a communication program. During the implementation of the business strategy "optimization" there is a possibility of the problem of re-profiling of staff to innovative areas of activity, the possibility of using technological equipment at other sites.

The priority of these problems in relation to the relevant tactics of competitive behavior was carried out by the method of pairwise comparisons with the subsequent definition of generalized priorities. As a result, it was found that the most acute problems for the company were: low efficiency of new retail outlets (0.29); unpreparedness of staff for marketing technologies for the sale of a new group of goods (0.14); reduction in the number of services provided (0.08).

In order to solve these problems, it will be advisable to use the tactical competitive task of universalizing trade in new retail outlets by including ancillary products for the office, training of sellers, and selection of technicians, knowledge management and relationship management.

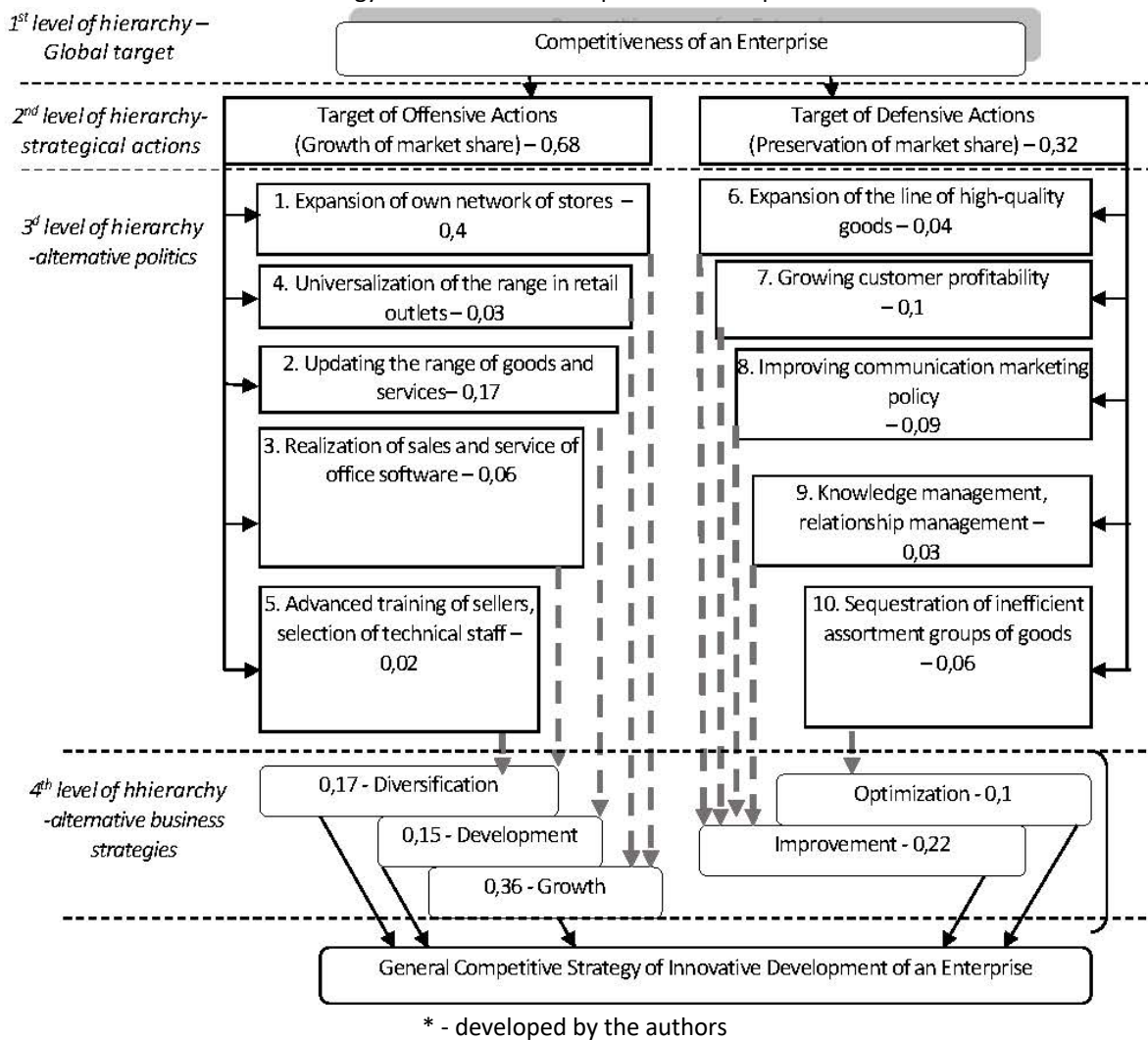
Given the above, the hierarchy of the reverse process of developing a common strategy is presented in Picture 4.



\* - developed by the authors  
Iteration of the direct strategy process

In solving the reverse process (Picture 4), there was reliability in the application, an additional, even new tactical task, which can be seen directly (second) during the development of a competitive strategy of the enterprise (Picture 5).

**Picture 5**  
Hierarchy of the second direct process of development of competitive strategy of innovative development of enterprise "D"



Thus, as a result of iteration of direct process of strategy (Picture 5), priorities of tactics of competition were redistributed. In particular, the priority of business strategies "growth", "improvement" has increased, respectively, by 0.01 percentage points each. The priority of competition tactics "development" has decreased by 0.02 percentage points. The priorities of diversification and optimization competition tactics have remained unchanged.

The inclusion of an additional three tactical tasks in the direct process of the competitive strategy will contribute to the growth of income, profit, number of business entities and the intensity of updating the range of goods. At the same time, the indicator of staff readiness for change remains unchanged (Table 7).

**Table 7**  
Calculation of the outline of tactics of competition  
of the enterprise "d" on the ii direct process\*\*

Variable states	Development	Growth	Diversification	Improvements	Optimization	II direct process
Net sales revenue	3	6	3	4	-1	4,00
Income	3	5	3	4	0	3.64
Number of retail outlets	0	4	1	0	-2	1.61
Flexibility of range of goods	2	0	4	1	0	1,20
Staff readiness for change	1	4	2	0	-2	1.93
Generalized scale						3.14

\* - calculated by the authors on the basis of table 5, Picture 3

The value of the generalized scale increased from 3.13 (see Table 6) to 3.14, ie, by 0.32%.

## 4. Conclusions

Thus, such a small discrepancy indicates an improvement in the convergence of the overall competitive combination strategy.

The most advantageous is the position of tactical dominance, which is manifested through certain elements of business activity in certain market areas, where it gains market share and can put pressure on competitors in the short term

The obtained data can be further used for research on the issues of strategic management of enterprise development in various spheres of economic activity, improvement of development tools and the choice of innovation development strategies.

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